

Hearing Date and Time: October 10, 2012 at 10:00 a.m. (ET)

Objection Deadline: October 3, 2012 at 4:00 p.m. (ET)

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re:	: Chapter 11
	:
Residential Capital, LLC, <u>et al.</u> ,	: Case No. 12-12020 (MG)
	:
Debtors.	: Jointly Administered
	:
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**OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS TO THE RENEWED MOTION OF
PAUL N. PAPAS II TO CONVERT DEBTOR TO CHAPTER 7**

TO THE HONORABLE MARTIN GLENN,
UNITED STATES BANKRUPTCY JUDGE:

The Official Committee of Unsecured Creditors (the “Committee”) of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), by and through its undersigned counsel, hereby submits this objection (the “Objection”) to the Renewed Motion of Paul N. Papas II to Convert Debtor to Chapter 7 Bankruptcy dated September 11, 2012 (the “Motion”) [Docket No. 1472].¹ In support of its Objection, the Committee respectfully represents as follows:

¹ Papas previously filed the Motion of Paul N. Papas II to Convert Debtor to Chapter 7 Bankruptcy dated July 17, 2012 [Docket No. 880]. The prior motion was subsequently withdrawn. See Withdrawal of Motion to Convert Debtor to Chapter 7 Bankruptcy [Docket No. 1015].

OBJECTION AND RESERVATION OF RIGHTS

1. The Court should deny the Motion because Papas has not provided any legal or factual support for the extraordinary relief requested.

2. A court may convert a chapter 11 bankruptcy case to a case under Chapter 7 of the Bankruptcy Code “for cause,” as long as it is in the best interests of both the debtors’ creditors and the bankruptcy estate. 11 U.S.C. § 1112(b)(1). The moving party has the burden of demonstrating “cause” for conversion. See In re MF Global Holdings Ltd., 465 B.R. 736, 742 (Bankr. S.D.N.Y. 2012) (citing In re Loco Realty Corp., No. 09-11785 (AJG), 2009 WL 2883050, at *2 (Bankr. S.D.N.Y. June 25, 2009)); In re FRGR Managing Member, LLC, 419 B.R. 576, 580 (Bankr. S.D.N.Y. 2009) (same). An illustrative, but non-exhaustive list of factors that courts consider in determining whether “cause” exists to convert a case are set forth in section 1112(d) of the Bankruptcy Code and a bankruptcy court has “wide discretion” to determine whether “cause” exists. In re BH S & B Holdings, LLC, 439 B.R. 342, 346 (Bankr. S.D.N.Y. 2010); In re The 1031 Tax Group, LLC, 374 B.R. 78, 93 (Bankr. S.D.N.Y. 2007).

3. Papas has not sustained his burden to show “cause” exists to convert these cases to chapter 7. At this time, conversion to chapter 7 is not in the best interest of the Debtors’ estates. The Committee opposes the relief sought in the Motion.

4. The Committee expressly reserves its rights to supplement or amend this Objection, seek discovery with respect to same, and introduce evidence at any hearing relating to the Motion or this Objection.

WHEREFORE, the Committee respectfully requests that this Court deny the relief requested in the Motion, and grant such other and further relief as may be just and proper.

Dated: New York, New York
October 3, 2012

KRAMER LEVIN NAFTALIS & FRANKEL LLP

/s/ Douglas H. Mannel

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